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RUEHSG/AMEMBASSY SANTIAGO PRIORITY 0365
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RUEHBR/AMEMBASSY BRASILIA PRIORITY 6630
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C O N F I D E N T I A L LIMA 001284

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DEPT FOR WHA/AND, WHA/EPSC, EB/IFD
DEPT PASS TO USTR - BHARMAN
COMMERCE FOR 4331/MAC/WH/MCAMERON
TREASURY FOR OASIA/INL

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TAGS: [PGOV](#) [EFIN](#) [EINV](#) [ETRD](#) [PE](#)
SUBJECT: IMF'S VIEW ON PERUVIAN PRESIDENTIAL CANDIDATES

REF: A. LIMA 1197

[1](#)B. LIMA 1064

Classified By: Ambassador J. Curtis Struble for reasons 1.4 (b) and (d)
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[1](#)1. (U) Transmission delayed due to technical problems.

[1](#)2. (C) Summary. A team from the International Monetary Fund's (IMF) Western Hemisphere division met with officials from the five leading presidential campaigns in March. The IMF team spent a minimum of two hours with each group, listening to the various campaign proposals. Gilbert Terrier, IMF team leader, observed that Lourdes Flores Nano's campaign focuses on a disappointing unclear message, while Humala's economic policies on nationalization are inherently contradictory. The team remains concerned about an APRA government, despite APRA pledges to support a free trade agreement. During the meetings, the IMF team promoted several common-sense economic ideas, although it is unclear whether these ideas resonated with the campaign groups. End Summary.

Flores, Paniagua Deliver Similar Messages

[1](#)3. (C) Gilbert Terrier of the IMF's Western Hemisphere division provided the Ambassador a readout of the IMF's meetings with the five leading presidential campaigns on March 6. Terrier noted his disappointing sense that the Flores campaign is unable to convey a clear message. He characterized her team as, "not strong." Flores' economic advisors spoke mostly of improving the quality of public spending -- something Terrier characterized as a "non-program program." Terrier observed that Lourdes is perceived as having clean hands and suggested that she would enhance her prospects by putting more emphasis on "public good" ideas during the campaign. The public perceives market-based economics as dog-eat-dog, he said, and needs to be reassured that the model can protect them and enhance their well-being. The IMF team shared these observations with Prime Minister Kuczynski.

¶4. (C) Terrier found Paniagua's people to be more thoughtful and impressive, though with many of the same ideas as Lourdes. Noting Paniagua's low poll numbers and the fact that he is splitting off a part of the electorate that would otherwise likely go to Flores, Terrier asked the Ambassador whether there was any prospect that Paniagua might withdraw. The Ambassador said that he saw no likelihood of that, as it would badly hurt the prospects of Paniagua's Centrist Front's Congressional ticket.

Humala's Contradictory Economic Policies

¶5. (C) The IMF also met with the Humala team, led by First Vice Presidential candidate Gonzalo Garcia. Terrier said that Garcia tried to put a positive spin on Humala's economic program but he was, "very garbled," especially when the IMF team pressed for greater clarity of apparent contradictions. An example of this was when the team tried to draw Garcia out on his candidate's views on nationalization. Garcia argued that Humala was not seeking to nationalize industries, but to renegotiate the terms of concessions and contracts to better benefit the Peruvian people. When pressed, however, Garcia lacked clarity in responding to questions about what Humala would do if the companies refused to renegotiate or what their incentives and disincentives would be.

¶6. (C) Terrier said that he had a hard time getting a feel for how much of the Humala economic platform is rhetorical (i.e. used to capture votes but not intended to be implemented). He did not feel that he had a clear fix on the candidate's position on expropriations. The Humala folks clearly do not support the FTA, he said, but he wondered whether the candidate's call for a referendum on the agreement might offer him a way out should he come to office.

¶7. (C) Terrier noted that at one point in their conversation, Gonzalo Garcia made a passing comment about, "if Humala does not make it into the second round." He quickly caught himself, however, and thereafter expressed solid confidence that Humala will be one of the two. Garcia insisted that there is nothing in the candidate's military record that could embarrass him. For all that, Terrier thought that there is at least some level of thinking in the Humala campaign about contingencies that have Flores and Alan Garcia in the runoff.

APRA to Support FTA

¶8. (C) Terrier found the APRA team of Economic Advisor Enrique Cornejo and Congressman Jorge Del Castillo well prepared in contrast to the impression left by an APRA delegation that visited Washington three months ago. The APRA team said that they would support the FTA and work closely with the fund. Terrier remains concerned all the same about follow-up and quality of implementation of a possible APRA government.

Fujimoristas on Other Campaigns

¶9. (C) The IMF team also met with Santiago Fujimori and a couple of others from the Fujimorista Alliance for the Future Party. What Terrier found most interesting was Santiago's take on other candidates -- he noted that there is a lot of emotion that courses through Humala's campaign events while this is not the case for Flores' campaign "meetings." Her crowds look to Santiago like they have been paid to show up.

Comment

¶10. (C) The IMF's disappointment in Flores's campaign and imprecise message may reflect the current downward trend in her support throughout Peru, roughly a one percent drop per

week. It appears that the Unidad Nacional camp did take into account some of the IMF's suggestions -- in mid-March, Lourdes announced her ten campaign promises, which encompassed "public good" ideas. These promises, however, have not resonated with the Peruvian public.

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